

BUZZI-UNICEM

Sector: Industrials

OUTPERFORM

Price: Eu22.79 - Target: Eu26.20

Strong Carry-Over Pricing Effect to Support 2023 Outlook

Mario Coppola +39-02-77115.322
 mario.coppola@intermonte.it

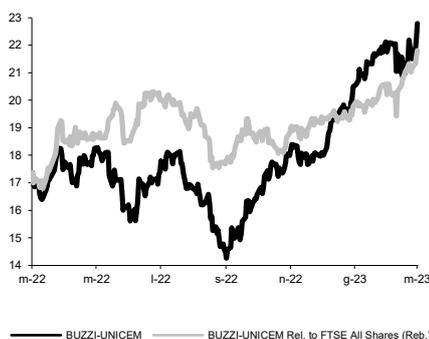
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 25.40 to 26.20		
	2023E	2024E	2025E
Chg in Adj EPS	2.5%	3.3%	

Next Event

 1Q23 Results Out May 12th

BUZZI-UNICEM - 12M Performance



Stock Data

Reuters code:	BZU.MI
Bloomberg code:	BZU IM

Performance	1M	3M	12M
Absolute	4.8%	25.9%	31.1%
Relative	7.6%	15.1%	26.5%
12M (H/L)	22.79/14.26		
3M Average Volume (th):	454.34		

Shareholder Data

No. of Ord shares (mn):	193
Total no. of shares (mn):	193
Mkt Cap Ord (Eu mn):	4,390
Total Mkt Cap (Eu mn):	4,390
Mkt Float - Ord (Eu mn):	2,098
Mkt Float (in %):	47.8%
Main Shareholder:	
Pres+Fimedi	52.2%

Balance Sheet Data

Book Value (Eu mn):	5,358
BVPS (Eu):	27.82
P/BV:	0.8
Net Financial Position (Eu mn):	754
Enterprise Value (Eu mn):	2,883

- FY22 bottom line higher than expected:** following the preliminary FY22 release on 9 February, BZU's complete FY22 statement showed slightly higher recurring EBITDA than anticipated, at €892mn vs. the €880mn indicated in the pre-release. Net income came in at €459mn, higher than our estimate and consensus, both around €420mn. This was due to lower financial charges, a higher contribution from the Brazilian and Mexican JVs, and a lower tax rate. The proposed DPS was also higher than expected, at €0.45 (+€0.05 YoY) vs. our forecast of a flat dividend and consensus at €0.43. Looking at the presentation data, it is worth noting that the price-cost spread was significantly positive during 2022 at +€233mn. In 4Q the company continued to consolidate higher prices, not only on YoY but also QoQ. In Italy and the US in particular prices rose +9.3% and +3.0% in 4Q22 vs. 3Q22.
- 2023 guidance above estimates:** the company provided guidance for recurring 2023 EBITDA to be at a similar level as in 2022. This is approximately 5.4% higher than our estimate of €844mn and 8.5% above the €820mn consensus. Broadly speaking, management expects construction activity to slow due to higher construction and financing costs, both in EU and US. Energy prices are expected to stabilise, but remain at higher levels than in 2022. Operating profit should continue to benefit from an upward trend in selling prices, however, due to both the carry-over effect and probable further increases. US sales volumes are expected to be stable, with higher infrastructure activity offsetting the slowdown in residential, potentially implying higher prices; Italian volumes are expected to shrink, but average prices should improve thanks in part to the carry-over effect; Central and Eastern European volumes should contract, but with higher prices offsetting this slowdown.
- Carry-over effect driving up estimates:** we confirm our 2023 sales estimates but with a different volume/price mix. We model a -3.7% decline in group volumes, with prices up 7.2%, and a negative ForEx impact at -2.6%. We note that our price assumptions are consistent with the carry-over effect, which is particularly strong in Italy (+14.4%), US (+6.5%) and Poland (+8.4%) but also Germany (+2.9%), with the remaining countries in the +2-3% range. The different volumes/prices assumption has a positive impact on EBITDA, which we estimate at €883mn, with EPS up 2.5%.
- OUTPERFORM confirmed; target to €26.2:** earnings momentum has turned positive and might continue its improving trajectory if the company can implement further price hikes in the coming months. Even with weaker demand and lower volumes, it is reasonable to assume that the carry-over benefit will be maintained, boosting profitability. Moreover, cash generation and the balance sheet remain strong and could offer further optionality to improve shareholder returns. The stock is trading at 3.1x EV/EBITDA and 7.8x P/E 2023; at target it would trade at 4.0x and 9.4x respectively, still below historical averages.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	3,446	3,996	4,010	4,133	4,217
EBITDA Adj (Eu mn)	796	892	883	920	960
Net Profit Adj (Eu mn)	542	582	546	584	625
EPS New Adj (Eu)	2.812	3.019	2.836	3.033	3.243
EPS Old Adj (Eu)	2.812	2.821	2.768	2.937	
DPS (Eu)	0.400	0.450	0.500	0.550	0.600
EV/EBITDA Adj	3.9	2.6	3.3	2.7	2.3
EV/EBIT Adj	5.7	3.7	4.7	3.9	3.1
P/E Adj	8.1	7.5	8.0	7.5	7.0
Div. Yield	1.8%	2.0%	2.2%	2.4%	2.6%
Net Debt/EBITDA Adj	-0.3	-0.3	-0.9	-1.2	-1.5

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein, and any of its parts, is strictly prohibited. None of the contents of this document may be shared with third parties without Company authorization. Please see important disclaimer on the last page of this report